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UNITED GENE HIGH-TECH GROUP LIMITED

聯合基因科技集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 399)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2009

The board of directors (the “Board”) of United Gene High-Tech Group Limited (the “Company”) is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (the “Group”) for the six months ended 31 December 2009 (the “Interim Period”) together with the comparative figures for the previous corresponding period as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Six months ended	
		31 December	
		2009	2008
	<i>Notes</i>	HK\$'000	HK\$'000
		(Unaudited)	(Audited)
Turnover	3	294,170	189,166
Cost of sales		<u>(279,071)</u>	<u>(183,510)</u>
Gross profit		15,099	5,656
Other income	4	27	631,406
Selling expenses		(3,475)	(1,913)
Administrative expenses		<u>(6,980)</u>	<u>(21,462)</u>
Profit from operations		4,671	613,687
Gain on deconsolidation of the subsidiaries		–	134,516
Finance cost	6	<u>(182)</u>	<u>(633)</u>
Profit before tax		4,489	747,570
Income tax expense	7	<u>(508)</u>	<u>(776)</u>
Profit for the period	8	<u>3,981</u>	<u>746,794</u>

		Six months ended	
		31 December	
	<i>Notes</i>	2009	2008
		HK\$'000	HK\$'000
		(Unaudited)	(Audited)
Other comprehensive income:			
Exchange differences on translating foreign operations		16	(53)
Revaluation surplus on buildings		–	176
		<hr/>	<hr/>
Other comprehensive income for the period, net of tax		16	123
		<hr/>	<hr/>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		3,997	746,917
		<hr/> <hr/>	<hr/> <hr/>
Profit attributable to:			
Equity holders of the Company		3,957	746,775
Non-controlling interests		24	19
		<hr/>	<hr/>
		3,981	746,794
		<hr/> <hr/>	<hr/> <hr/>
Total comprehensive income attributable to:			
Equity holders of the Company		3,973	746,898
Non-controlling interests		24	19
		<hr/>	<hr/>
		3,997	746,917
		<hr/> <hr/>	<hr/> <hr/>
Earnings per share			
Basic and Diluted (<i>HK cents per share</i>)	<i>10</i>	0.07	13.48
		<hr/> <hr/>	<hr/> <hr/>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		31 December 2009	30 June 2009
	<i>Notes</i>	HK\$'000 (Unaudited)	HK\$'000 (Audited)
Non-current assets			
Property, plant and equipment		2,602	1,718
Prepayments, deposits and other receivables	<i>12</i>	84,000	40,000
		86,602	41,718
Current assets			
Inventories		335	2,393
Prepayments, deposits and other receivables		7,350	17,839
Trade receivables	<i>13</i>	9,465	4,224
Bank and cash balances		27,012	74,065
		44,162	98,521
Current liabilities			
Trade payables	<i>14</i>	10,686	24,893
Accruals and other payables		6,657	6,415
Current tax liabilities		1,496	1,003
		18,839	32,311
Net current assets		25,323	66,210
NET ASSETS		111,925	107,928
Capital and reserves			
Share capital		60,823	60,823
Reserves		50,536	46,563
Equity attributable to equity holders of the Company		111,359	107,386
Non-controlling interests		566	542
TOTAL EQUITY		111,925	107,928

Notes:

1. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements of the Group have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

The unaudited condensed consolidated interim financial statements should be read in conjunction with the 2009 annual financial statements of the Company. The accounting policies and methods of computation used in the preparation of these unaudited condensed consolidated interim financial statements are consistent with those used in the annual financial statements for the year ended 30 June 2009 except as stated below.

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA that are relevant to its operations and effective for its accounting period beginning on 1 July 2009. HKFRSs comprise HKFRS, HKAS and Interpretations. The adoption of these new and revised HKFRSs did not result in substantial changes to the Group’s accounting policies, presentation of the Group’s financial statements and amounts reported for the current and prior periods except as stated below.

(a) Presentation of Financial Statements

HKAS 1 (Revised) “Presentation of Financial Statements” affects certain disclosures and presentation of the financial statements. The balance sheet is renamed as the statement of financial position and the cash flow statement is renamed as the statement of cash flows. All income and expenses arising from transactions with non-owners are presented in the statement of comprehensive income, and the total carried to the statement of changes in equity. The owner changes in equity are presented in the statement of changes in equity. These presentation requirements have been applied retrospectively in these condensed financial statements.

(b) Operating Segments

HKFRS 8 “Operating Segments” requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. The primary segments reported under HKAS 14 “Segment Reporting” are the same as the segments reported under HKFRS 8. HKFRS 8 has been applied retrospectively.

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a material impact on its results of operations and financial position.

3. TURNOVER

	Six months ended	
	31 December	
	2009	2008
	HK\$’000	HK\$’000
	(Unaudited)	(Audited)
Manufacturing and distribution of pharmaceutical products	197,519	168,728
Distribution of gene-testing services	96,651	20,438
	<u>294,170</u>	<u>189,166</u>

4. OTHER INCOME

	Six months ended	
	31 December	
	2009	2008
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Interest income	6	28
Release of a bank loan and other liabilities pursuant to the Scheme	–	631,378
Sundry income	21	–
	27	631,406

5. SEGMENT INFORMATION

The Group is principally engaged in the manufacturing and distribution of pharmaceutical products and distribution of gene-testing services. An analysis of the Group's financial performance and position by business segments, namely "Manufacturing and distribution of pharmaceutical products" and "Distribution of gene-testing services" is as follows:

	Manufacturing and distribution of pharmaceutical products (note)	Distribution of gene testing services	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Six months ended 31 December 2009 (Unaudited):			
Revenue from external customers	197,519	96,651	294,170
Segment profit after tax	121	7,634	7,755
As at 31 December 2009 (unaudited):			
Segment assets	12,153	97,977	110,130
Six months ended 31 December 2008 (Audited):			
Revenue from external customers	168,728	20,438	189,166
Segment (loss)/profit after tax	(5,143)	2,511	(2,632)
As at 30 June 2009 (Audited):			
Segment assets	11,530	119,348	130,878

Note:

Since 19 December 2008, the Group's control over 上海德勝科技集團(安慶)製藥有限公司 had been lost control due to the operation restructuring of the Group. As such, the Group's financial performance and position of the segment "Manufacturing and distribution of pharmaceutical products" for the six months ended 31 December 2009 was solely arising from the trading of pharmaceutical products carried by 山東特利爾醫藥有限公司 in the People's Republic of China's Region (the "PRC").

Six months ended	
31 December	
2009	2008
<i>HK\$'000</i>	<i>HK\$'000</i>
(Unaudited)	(Audited)

Reconciliation of segment profit/(loss):

Total profit/(loss) of reportable segments	7,755	(2,632)
Corporate and others expenses	(3,795)	(16,473)
Unallocated income:		
Other income	21	631,383
Gain on deconsolidation of the subsidiaries	–	134,516
	<hr/>	<hr/>
Consolidated profit for the period	3,981	746,794
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The Group's operations are principally located in Hong Kong and the PRC. An analysis of the Group's revenue by geographical location of customers, irrespective of the origin of the goods/services is as follows:

	Revenue		Total assets		Capital expenditure	
	Six months ended		As at		Six months ended	
	31 December		31 December		31 December	
	2009	2008	2009	30 June	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)
Hong Kong	6,348	20,438	117,559	128,709	72	25
The PRC	287,822	168,728	13,205	11,530	988	4
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	294,170	189,166	130,764	140,239	1,060	29
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

6. FINANCE COST

Six months ended	
31 December	
2009	2008
<i>HK\$'000</i>	<i>HK\$'000</i>
(Unaudited)	(Audited)

Interest on bank loans	182	633
	<hr/> <hr/>	<hr/> <hr/>

7. INCOME TAX EXPENSE

	Six months ended 31 December	
	2009	2008
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Current tax provision for the period		
Hong Kong Profits Tax	466	684
Overseas	42	92
	<u>508</u>	<u>776</u>

Hong Kong Profits Tax is provided at 16.5% (2008: 16.5%) based on the assessable profit for the period.

Tax charge on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

8. PROFIT FOR THE PERIOD

The Group's profit for the period is stated after charging the following:

	Six months ended 31 December	
	2009	2008
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Depreciation	179	1,024
Directors' emoluments	658	656
Operating lease charges of land and buildings	954	241
Cost of inventories sold	194,262	166,506
Loss on written-off of property, plant and equipment	–	108
Impairment on an amount due from a subsidiary deconsolidated	–	3,226
Staff costs including directors' emoluments	3,258	1,876

9. DIVIDENDS

The Directors do not recommend the payment of an interim dividend for the six months ended 31 December 2009 (2008: HK\$NIL).

10. EARNINGS PER SHARE

Basic earnings per share

The calculation of basic earnings per share attributable to equity holders of the Company is based on the earnings for the period attributable to equity holders of the Company of approximately HK\$3,957,000 (2008: (audited) approximately HK\$746,775,000) and the weighted average number of ordinary shares of 6,082,254,031 (2008: 5,540,408,616) in issue during the period.

Diluted earnings per share

No diluted earnings per share is presented as the Company did not have any dilutive potential ordinary shares during the six-months periods ended 31 December 2009 and 31 December 2008.

11. ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT

During the six months ended 31 December 2009, the Group acquired approximately HK\$1,060,000 (2008: (audited) approximately HK\$29,000) for the additions to property, plant and equipment, which was mainly for the business of provision of health care management services.

12. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	31 December 2009 HK\$'000 (Unaudited)	30 June 2009 HK\$'000 (Audited)
Deposit for entering the distributorship rights (<i>note (a)</i>)	40,000	40,000
Loans under the Franchise Agreements (<i>note (b)</i>)	44,000	–
	84,000	40,000

Notes:

- (a) On 2 May 2008, China United Gene Health Limited (“United Gene Health”), a subsidiary of the Group, entered into an exclusive distribution agreement for a period of five years with China United Gene Health Industry Limited (“China United”) to act as the exclusive distributor of gene testing services in Hong Kong. On 12 August 2008, United Gene Health paid a non-interest bearing deposit of HK\$40,000,000 to China United as a guarantee that the annual turnover of United Gene Health would meet the minimum annual sales figures (the “Sales Target”) set out in the exclusive distribution agreement. Pursuant to a letter dated 16 March 2009, China United agreed to grant an additional non-exclusive right to United Gene Health for the distribution of gene testing services in the PRC. On 7 September 2009, China United agreed the Sales Target for the year ended 30 June 2010 to be maintained at the level of HK\$60,000,000. For the six months ended 31 December 2009, United Gene Health has realized the Sales Target.
- (b) On 14 July 2009, United Gene Health entered into five franchise agreements (collectively the “Franchise Agreements” or individually the “Franchise Agreement”) with five independent distributors, namely Fashion Fame Limited, Grace Noble Limited, Rising Rates International Limited, Noble Hat Limited and Sky Cultures Limited (collectively the “Distributors” or individually the “Distributor”) for the period of five years. Under the Franchise Agreements, United Gene Health (i) appointed each Distributor as its distributor for the gene testing services in the PRC, and (ii) advanced a non-interest bearing loan to the five Distributors named above for HK\$6,000,000, HK\$8,000,000, HK\$8,000,000, HK\$10,000,000 and HK\$12,000,000 respectively (the “Loan”, collectively the “Loans”), which are non-interest bearing, for the sole purpose of soliciting business and organizing marketing activities as permitted by United Gene Health. An undertaking has been issued to United Gene Health by Fashion Fame Limited, Grace Noble Limited, Rising Rates International Limited, Noble Hat Limited and Sky Cultures Limited that the annual sales attributable to the distribution of gene testing services in the PRC generated by them shall not be less than HK\$24,000,000, HK\$32,000,000, HK\$32,000,000, HK\$40,000,000 and HK\$48,000,000 respectively (the “Specified Amounts”, each as a “Specified Amount”). In the event that the sales generated by the relevant Distributor in any one year is equals to or in excess of the relevant Specified Amount, United Gene Health agrees to waive the repayment of 20% of the relevant Loan; otherwise, the relevant Distributor shall have to repay 20% of the relevant Loan to United Gene Health within three business days after the review is made by United Gene Health, pursuant to the relevant Franchise Agreement. In the event that the sales generated by the relevant Distributor falls below the relevant Specified Amount for two consecutive years, United Gene Health will have the right to terminate the relevant Franchise Agreement and to require the repayment of the relevant Loan outstanding within three business days after giving the notice of termination to the relevant Distributor. For the six months ended 31 December 2009, the Distributors have been generated the Specified Amounts at a total amount approximately HK\$90,303,000. The Group has made the appropriate percentage of 20% of the Loans as the selling expenses recognised in the condensed consolidated statement of comprehensive income for this period and as an accruals in the condensed consolidated statement of financial position as at 31 December 2009.

13. TRADE RECEIVABLES

The Group's trading terms with customers are mainly on credit. The credit terms generally range from 30 to 90 days. Each customer has a maximum credit limit. For new customers, payment in advance is normally required. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management.

The aging analysis of trade receivables, based on the invoice date, and net of allowance, is as follows:

	31 December 2009 HK\$'000 (Unaudited)	30 June 2009 HK\$'000 (Audited)
30 days or less	6,019	2,724
31 to 60 days	1,789	921
61 to 180 days	1,605	562
Over 180 days	52	17
	<u>9,465</u>	<u>4,224</u>

The carrying amounts of the Group's trade receivables are denominated in the following currencies:

Renminbi ("RMB")	7,042	4,224
Hong Kong Dollars	2,423	–
	<u>9,465</u>	<u>4,224</u>

14. TRADE PAYABLES

The aging analysis of trade payables, based on the date of receipt of goods, is as follows:

	31 December 2009 HK\$'000 (Unaudited)	30 June 2009 HK\$'000 (Audited)
30 days or less	5,158	13,157
31 to 60 days	1,401	9,779
61 to 180 days	2,536	1,189
Over 180 days	1,591	768
	<u>10,686</u>	<u>24,893</u>

The carrying amounts of the Group's trade payables are denominated in the following currencies:

RMB	7,584	5,406
Hong Kong dollars	3,102	19,487
	<u>10,686</u>	<u>24,893</u>

15. CONTINGENT LIABILITIES

The Directors were not aware of any significant contingent liabilities of the Group as at 31 December 2009.

16. EVENTS AFTER THE REPORTING PERIOD

a) Formation of Joint Venture Company

On 15 February 2010, the Group entered into a joint venture agreement with an independent third party to jointly establish 上海途舒館健康管理服務有限公司 in Shanghai (“SH HealthCare Joint Venture”), which is a limited liability company with a registered capital of RMB22.5 million. The Group has committed to contribute a total of RMB4.5 million, representing 20% interest in the SH HealthCare Joint Venture. The scope of proposed business of SH HealthCare Joint Venture includes health care management service, health care consultancy, health care apparatus wholesale and provision of ancillary services.

b) Proposed Rights Issue

On 19 March 2010, the Company announced to its shareholders a proposed right issue on the basis of one rights share for every existing share in issue, which would result in the issue of 6,082,254,031 new ordinary shares with par value of HK\$0.01 each, at the subscription price of HK\$0.052 per rights share. Best Champion Holdings Limited (“Best Champion”), the controlling shareholder of the Company, and Grand Investment (Securities) Limited, both acting as underwriters, entered into an underwriting agreement with the Company on even date to fully underwrite the proposed rights shares. The proposed rights issue, if completed, will raise net funds of approximately HK\$310.08 million, which is expected to be applied as to approximately 90% for future business development including but not limited to investing in the health care centers in Guangzhou, Beijing, Shanghai and other cities in the PRC and investing in the business of health care and pharmaceutical products such as oral insulin, etc and as to approximately 10% for general working capital purposes of the Group.

The proposed rights issue is conditional on, among other matters, the approval by the independent shareholders at the extraordinary general meeting (the “EGM”) to be expected held on 27 April 2010. Under the Listing Rules, Best Champion, the substantial shareholders and their respective associates of the Company shall abstain from voting in favour of the resolution(s) approving the proposed rights issue in the EGM.

Details of the proposed rights issue are set out in the Company’s announcement dated 19 March 2010.

MANAGEMENT DISCUSSION AND ANALYSIS

GROUP RESULTS

Turnover of the Group for the Interim Period amounted to approximately HK\$294.2 million, representing approximately 55.50% increase from the six months ended 31 December 2008 (approximately HK\$189.2 million). The increase in the turnover of approximately HK\$105 million for the Interim Period was mainly contributed by the distribution of the gene testing services that commenced in the People's Republic of China's Region ("the PRC") in May 2009. Total comprehensive income attributable to the equity holders of the Company for the Interim Period was approximately of HK\$3.97 million, compared to that of approximately HK\$746.9 million in the corresponding period of the previous year. This was influenced by the release of a bank loan and other liabilities which amounted to approximately HK\$631.4 million pursuant to a scheme of arrangement which became effective on 18 July 2008 (the "Scheme") and by gain on deconsolidation of the subsidiaries which amounted to approximately HK\$134.5 million.

BUSINESS REVIEW

Distribution of Gene Testing Services

The Group continued to diversify within the region and expand the market share of its gene testing services business. Its subsidiary, China United Gene Health Limited ("United Gene Health"), entered into five franchise agreements (collectively the "Franchise Agreements" or individually the "Franchise Agreement") with five independent distributors, namely Fashion Fame Limited, Grace Noble Limited, Rising Rates International Limited, Noble Hat Limited and Sky Cultures Limited (collectively the "Distributors" or individually the "Distributor") for the period of five years on 14 July 2009. Under the Franchise Agreements, United Gene Health (i) appointed each Distributor as its distributor for the gene testing services in the PRC; and (ii) advanced a non-interest bearing loan to the five Distributors named above for HK\$6,000,000, HK\$8,000,000, HK\$8,000,000, HK\$10,000,000 and HK\$12,000,000 respectively (the "Loan", collectively the "Loans"), for the sole purpose of soliciting business and organizing marketing activities as permitted by United Gene Health. An undertaking has been issued to United Gene Health by Fashion Fame Limited, Grace Noble Limited, Rising Rates International Limited, Noble Hat Limited and Sky Cultures Limited that the annual sales attributable to the distribution of gene testing services in the PRC generated by them shall not be less than HK\$24,000,000, HK\$32,000,000, HK\$32,000,000, HK\$40,000,000 and HK\$48,000,000 respectively (the "Specified Amounts", each as a "Specified Amount"). In the event that the sales generated by the relevant Distributor in any one year is equal to or in excess of the relevant Specified Amount, United Gene Health agrees to waive the repayment of 20% of the relevant Loan; otherwise, the relevant Distributor shall have to repay 20% of the relevant Loan to United Gene Health within three business days after the review is made by United Gene Health, pursuant to the relevant Franchise Agreement. In the event that the sales generated by the relevant Distributor falls below the relevant Specified Amount for two consecutive years, United Gene Health will have the right to terminate the relevant Franchise Agreement and to require the repayment of the relevant Loan outstanding within three business days after giving the notice of termination to the relevant Distributor.

During the Interim Period, turnover of distribution of gene testing services was approximately HK\$96.7 million (approximately HK\$20.4 million in the prior period). This substantial increase of approximately 374.02% was mainly due to the enlarged distribution coverage in the PRC since May 2009 which contributed approximately HK\$90.3 million to the turnover during the Interim Period. However, the gross profit margin decreased from approximately 16.80% in the prior period to approximately 12.25% in the Interim Period due to the introduction of more favourable incentives to the distributors in the PRC.

Co-operative Joint Venture (山東特利爾醫藥有限公司) (the “CJV”) for sales of pharmaceutical products

On 18 September 2009, CJV mutually agreed with Laolaishou Biotech Company Limited (濟南老來壽生物科技有限公司) (“Laolaishou”) that, for commercial reasons, to enter into the termination agreement for the exclusive distribution agreement for the products of Laolaishou in the PRC, with immediate effect. The termination of this agreement will not have any material financial impact on the Group’s operations or financial position.

During the Interim Period, sales of pharmaceutical products of the CJV was approximately HK\$197.5 million as compared to approximately HK\$165 million in the prior period, representing an increase of approximately 19.70%, whilst the gross profit margin remained at approximately 1.65% in the Interim Period.

PROSPECTS

Distribution of Gene Testing Services

The management believes that the distribution of gene testing services has a strong potential due to increasing awareness of health care by individuals and their families, and the increasing national income in the PRC. With the exclusive distribution rights in Hong Kong and non-exclusive distribution rights in the PRC for the gene testing services, together with the Franchise Agreements which set substantial sales target for each of the forthcoming five years, the Group will be able to (i) retain the existing distributors and attract other potential distributors of gene testing services; (ii) secure more competitive pricing to capture a larger market share; and (iii) add more business partners in different regions of the PRC, thus achieve increasing profitability in the forthcoming years.

Provision of Health Care Management Services

On 23 June 2009, the Group established an indirect wholly-owned subsidiary, 聯合基因(上海)健康管理服務有限公司 (for identification purpose, United Gene HealthCare Limited, Shanghai), (“United Gene HealthCare”) in Shanghai as a limited liability company with a registered capital of HK\$20 million, of which HK\$4 million has been injected as at 31 December 2009 and would be applied towards the start-up and development costs for the business of the health care center. The scope of business of United Gene HealthCare includes health care management service, health care consultancy, health care apparatus wholesale and provision of ancillary services.

On 20 November 2009, United Gene HealthCare established in Guangzhou the first health care centre to provide gene testing and health care services, health check services, rehabilitation services, psychology consultancy and therapy services, infirmary and nutrition services, health fitness and exercise services, traditional Chinese medical services and other ancillary services. For the period ended 31 December 2009, United Gene HealthCare had not yet generated any income because it was still in the development and coordination stage of setting up the provision of health care management services.

On 15 February 2010, United Gene HealthCare entered into a joint venture agreement with an independent third party to jointly establish 上海途舒館健康管理服務有限公司 in Shanghai (“SH HealthCare Joint Venture”), which is a limited liability company with a registered capital of RMB22.5 million. United Gene HealthCare has committed to contribute a total of RMB4.5 million, representing 20% interest in the SH HealthCare Joint Venture. The scope of proposed business of SH HealthCare Joint Venture includes health care management service, health care consultancy, health care apparatus wholesale and provision of ancillary services.

United Gene HealthCare intends to set up strategically joint ventures in the PRC with other health care centers in Guangzhou, Shanghai, Beijing and other regions. These development will be funded by the proceeds from the proposed rights issue as detailed in the paragraph headed “Capital Structure” of the section headed “FINANCIAL REVIEW”.

Co-operative Joint Venture (山東特利爾醫藥有限公司) (the “CJV”) for sales of pharmaceutical products

In October 2009, one member of the top management of the CJV fell seriously ill and had to be admitted to hospital where he is still being treated. Since then the Group has been looking for a suitable replacement. Turnover of the CJV has been affected and it has dropped significantly.

In view of the subdued financial performance and management succession problem, the Group has been discussing with the joint venture partner to try to restructure the business of the CJV. The Board is of the view that the current situation of the CJV would not have any material financial impact on the Group or its financial results.

FINANCIAL REVIEW

Capital Structure

	31 December 2009 HK\$'000 (Unaudited)	30 June 2009 HK\$'000 (Audited)
Authorized:		
50,000,000,000 ordinary shares of HK\$0.01 each (<i>Note</i>)	<u>500,000</u>	<u>100,000</u>
Issued and fully paid:		
6,082,254,031 ordinary shares of HK\$0.01 each	<u>60,823</u>	<u>60,823</u>

Note:

The Company’s authorized share capital was increased from HK\$100,000,000 to HK\$500,000,000 by creation of 40,000,000,000 new shares of HK\$0.01 each, immediately upon approval by the shareholders through the way of a special resolution in the annual general meeting held on 6 November 2009.

As at 31 December 2009, the Group had no bank borrowings or other long term financing (30 June 2009: nil).

On 19 March 2010, the Company announced to its shareholders a proposed right issue on the basis of one rights share for every existing share in issue, which would result in the issue of 6,082,254,031 new ordinary shares with par value of HK\$0.01 each, at the subscription price of HK\$0.052 per rights share. Best Champion Holdings Limited (“Best Champion”), the controlling shareholder of the Company, and Grand Investment (Securities) Limited, both acting as underwriters, entered into an underwriting agreement with the Company on even date to fully underwrite the proposed rights shares. The proposed rights issue, if completed, will raise net funds of approximately HK\$310.08 million, which is expected to be applied as to approximately 90% for future business development including but not limited to investing in the health care centers in Guangzhou, Beijing, Shanghai and other cities in the PRC and investing in the business of health care and pharmaceutical products such as oral insulin, etc and as to approximately 10% for general working capital purposes of the Group.

The proposed rights issue is conditional on, among other matters, the approval by the independent shareholders at the extraordinary general meeting (the “EGM”) to be expected held on 27 April 2010. Under the Listing Rules, Best Champion, the substantial shareholders and their respective associates of the Company shall abstain from voting in favour of the resolution(s) approving the proposed rights issue in the EGM.

Details of the proposed rights issue are set out in the Company’s announcement dated 19 March 2010.

Liquidity and financial resources

As at 31 December 2009, the Group had bank and cash balances of approximately HK\$27 million (30 June 2009: approximately HK\$74.1 million).

The ratio of current assets to current liabilities of the Group was 2.34 as at 31 December 2009 compared to 3.05 as at 30 June 2009. The Group’s gearing ratio as at 31 December 2009 was 0.14 (30 June 2009: 0.23) which is calculated based on the Group’s total liabilities of approximately HK\$18.8 million (30 June 2009: approximately HK\$32.3 million) and the Group’s total assets of approximately HK\$130.8 million (30 June 2009: approximately HK\$140.2 million).

Significant investment

The Group had no significant investment, nor has it made any material acquisition or disposal of Group’s companies or associated corporations during the Interim Period (30 June 2009: nil).

The details of future plans for materials investments and their expected sources of funding in the coming year is stated in the paragraph headed “Provision of Health Care Management Services” of the section headed “PROSPECTS” and the paragraph headed “Capital Structure” of the section headed “FINANCIAL REVIEW”.

Charges on the Group’s assets

As at 31 December 2009, the Group did not have any charges on its assets (30 June 2009: nil).

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the six months ended 31 December 2009, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with all the code provisions as set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 to the Listing Rules for the six months ended 31 December 2009, except for the deviations discussed below.

Code provision A.2.1

Code provision A.2.1 stipulates that the roles of the chairman and chief executive officer of the company should be separate and should not be performed by the same individual.

The Company has deviated from the Code provision A.2.1 and the roles of the chairman and chief executive officer of the Company are now performed by the same individual, Mr. Qin Yilong. The Company is looking for a suitable person to act as the chief executive officer so that it will be in compliance with the Code as soon as possible.

Code provision A.4.1

Code provision A.4.1 stipulates that non-executive directors should be appointed for a specific term and are subject to re-election.

The Company has deviated from the Code provision A.4.1. The independent non-executive Directors were not appointed for specific terms but are subject to retirement by rotation and re-election at least once every three years in accordance with the provision of the Company's articles of association. As such, the Company considers that sufficient measures have been taken to serve the purpose of this Code provision.

The board of Directors believes that, despite the absence of specified terms of non-executive Directors, the Directors are committed to represent the long-term interests of the Company and its shareholders.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as the code of conduct regarding Directors' securities transactions. All the Directors have confirmed that they have fully complied with the Model Code throughout the six months ended 31 December 2009.

AUDIT COMMITTEE

The Audit Committee is composed of three independent non-executive Directors. It reviews with the management of the accounting policies and practices adopted by the Group and discusses the auditing, internal control and financial reporting matters. It has reviewed the interim results for the six months ended 31 December 2009. In addition, the Group's external auditors have reviewed the unaudited condensed consolidated interim financial statements set out on pages 15 to 32 in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the websites of the Company (www.unitedgenegroup.com and www.irasia.com/listco/hk/unitedgene) and The Stock Exchange of Hong Kong Limited (www.hkex.com.hk). The interim report of the Company for the six months ended 31 December 2009 containing all the information required by the Listing Rules will be dispatched to shareholders and made available on the above websites in due course.

By Order of the Board
United Gene High-Tech Group Limited
Qin Yilong
Chairman

Hong Kong, 30 March 2010

As at the date of this announcement, the Board comprises three executive directors, namely Mr. Qin Yilong (Chairman), Mr. Shen Xiaodong and Mr. Jiang Jian, and three independent non-executive directors, namely Dr. Zhang Huiming, Dr. Zhu Lijun and Ms. Chen Weijun.